

SENATE RECORD VOTE ANALYSIS

105th Congress
1st Session

Vote No. 7

February 10, 1997, 5:28 pm
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BALANCED BUDGET AMENDMENT/Economic Waiver

SUBJECT: **Balanced Budget Constitutional Amendment . . . S. J. Res. 1. Craig motion to table the Durbin amendment No. 2.**

ACTION: MOTION TO TABLE AGREED TO, 64-35

SYNOPSIS: As reported, S. J. Res. 1, the Balanced Budget Constitutional Amendment: will require a three-fifths majority vote of both Houses of Congress to deficit spend or to increase the public debt limit; will require the President's annual proposed budget submission to be in balance; and will require a majority of the whole number of each House to approve any bill to increase revenue. Congress will be allowed to waive these requirements for any fiscal year in which a declaration of war is in effect. Congress will enforce and implement this amendment by appropriate legislation. The amendment will take effect in fiscal year 2002 or with the second fiscal year beginning after its ratification, whichever is later. The States will have 7 years to ratify the amendment. For related debate, see 103rd Congress, second session, vote Nos. 47-48, 104th Congress, first session, vote Nos. 62-63 and 65-98, and 104th Congress, second session, vote No. 158.

The Durbin amendment would add the following: "The provisions of this article may be waived for any fiscal year in which there is an economic recession or serious economic emergency in the United States as declared by a joint resolution, adopted by a majority of the whole number of each House, which becomes law."

Debate was limited by unanimous consent. Following debate, Senator Craig moved to table the amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

Whether or not Senators give any credence to Keynesian economics, and even whether or not they support a balanced budget constitutional requirement, they should emphatically reject this amendment. The Durbin amendment would totally gut this balanced budget amendment. The constitutional requirement would remain, but it would be totally unenforceable, with the result being that a gimmick would be enshrined in our Constitution.

If the Durbin amendment were to pass and if this resolution were then ratified, it would result in our Constitution solemnly

(See other side)

YEAS (64)			NAYS (35)		NOT VOTING (1)	
Republicans (54 or 100%)	Democrats (10 or 22%)		Republicans (0 or 0%)	Democrats (35 or 78%)	Republicans (1)	Democrats (0)
Abraham	Helms	Baucus		Akaka	Santorum- ²	
Allard	Hutchinson	Biden		Bingaman		
Ashcroft	Hutchison	Bryan		Boxer		
Bennett	Inhofe	Dorgan		Breaux		
Bond	Jeffords	Graham		Bumpers		
Brownback	Kempthorne	Hollings		Byrd		
Burns	Kyl	Moseley-Braun		Cleland		
Campbell	Lott	Reid		Conrad		
Chafee	Lugar	Robb		Daschle		
Coats	Mack	Wyden		Dodd		
Cochran	McCain			Durbin		
Collins	McConnell			Feingold		
Coverdell	Murkowski			Feinstein		
Craig	Nickles			Ford		
D'Amato	Roberts			Glenn		
DeWine	Roth			Harkin		
Domenici	Sessions			Inouye		
Enzi	Shelby			Johnson		
Faircloth	Smith, Bob					
Frist	Smith, Gordon					
Gorton	Snowe					
Gramm	Specter					
Grams	Stevens					
Grassley	Thomas					
Gregg	Thompson					
Hagel	Thurmond					
Hatch	Warner					

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

declaring that the budget must be balanced, but then the fine print would say unless of course just over half the Members of Congress do not have the spine to do what is right, in which case all they will have to do is say the economy is in too poor of shape for them to be responsible. We have that situation now. We suppose that there would be some minuscule benefit in that a majority of the whole number of each House would have to vote to allow deficit spending (thus, in the Senate, 51 votes would be needed; deficits would not be allowed by voice votes or by simple majority votes of less than 50, such as by a 49-48 vote). However, in proposing this balanced budget constitutional amendment we are not looking for some minuscule benefit, nor are the nearly 80 percent of the American people who support our effort. This amendment must make it difficult for Congress and President to deficit spend, because the past several decades have proven that they will never balance the budget without a strong requirement for them to do so.

For the sake of argument, we will assume for a moment that we believe in the discredited Keynesian theory that a government should borrow and spend money any time there is a recession or a "serious economic emergency." Now how are we to implement this fine theory? A recession, by definition, is two successive quarters of negative economic growth. Once we know we are in a recession, we will need time to enact a law to deficit spend. Our point is that implementing this theory requires a delay between the start of a recession and a response. Further, we will need at least 3 more months to find out if the recession has ended. Our point here is that when we enact a response we will not know if we are in a recession or not. In practice, as economist Bruce Bartlett points out in a 1993 article in *The Public Interest*, this delay and this uncertainty as to whether a recession is continuing when a recovery package has been enacted has resulted in a perfect record: every deficit spending package that the United States has ever enacted to fight a recession has been enacted after the recession has ended. Under Keynesian theory, deficit spending after recessions is harmful. Logically, any proponent of this theory should thus conclude that attempts to implement it should not be made because they are always made too late.

The argument has been made by some of our colleagues that deficit spending should at least be allowed for automatic stabilizers, which are programs like unemployment insurance that do not need legislative action to grow during economic downturns. We disagree. The more sensible, and just, solution would be to budget for a possible downturn. For instance, setting just a 1-percent cushion in the budget between 1980 and 1984 (which included years of fairly steep recessions) would have taken care of the increased costs from automatic stabilizers in those years. Further, we think that if Congress failed to build a cushion in the budget and a downturn then occurred it should then have to cut other spending to pay for the increased costs of stabilizers instead of adding the cost to the debt for our children to pay. Cutting 1 percent is not too much to ask.

Still, some Senators and some economists obstinately stick to their Keynesian theory that refusing to pay for rising unemployment benefits and other such benefits is great for an economy. For our part, we are more impressed with experience than with theories. Keynesian theory has failed wherever it has been practiced, and wherever it has been practiced with the greatest gusto it has failed the most spectacularly. As one commentator recently put it, the theory that a country can borrow and spend its way out of a recession "is the game plan that propelled Argentina and Bolivia into economic superpower status in the 1970s." We do not mean to pick on developing nations--Keynesian policies are currently being employed in European countries and in Japan, and the recessions in those countries are growing right along with their debts.

Our colleagues respond by claiming that recessions that have occurred in the United States have not been as severe since Keynesian policies have been followed, and attribute that result to deficit spending. Two points need to be made in response. First, the difference between pre-war and post-war recessions is overstated due to changes that have been made in assessing economic strength. According to National Bureau of Economic Research economist Christina Romer, when post-war data is analyzed using the methodologies used to analyze pre-war data, one finds little evidence to support the theory that the length, frequency, or severity of recessions has declined. The second point that needs to be made is that, even assuming that recessions have moderated, it is a huge leap of faith to assume that the reason why is that the Government is borrowing and spending lots of money. Other changes, such as the removal of monetary policy from politics or the shift from an agrarian- and factory-based economy to a high-tech and service economy, have had far more to do with any improvement that has taken place.

The final argument that we have heard from defenders of Keynesian theory (including from some economists who support a balanced budget amendment) is that the theory has never gotten a fair shake because under the theory accumulated government debt is supposed to be reduced in prosperous times, and politicians seem to have a hard time following that part of the equation. Thus, the United States has had deficits in each of the last 28 years and in 58 out of the last 66 years. We guarantee that in all of the many prosperous years of the last 6 decades in which Congress and the President increased the debt that a majority of Members thought that extra spending was economically necessary. If they had not, they would not have voted for it. If a balanced budget constitutional requirement with the Durbin loophole in it had been in effect for the past 64 years, the national debt would be the same size as it is now. Whenever Congress deficit spends it is because it thinks that there is an economic need that is great enough to justify increasing the debt burden on future generations. Under the Durbin amendment, if Congress said we were in a recession, perhaps national, perhaps local, or if it said that we were in a "serious" economic situation, perhaps national, perhaps local, by majority votes it could waive the Constitution for all spending for a year, for any purpose.

When a true economic emergency arises we have absolutely no doubt, based on experience, that it will be possible to gain supermajority votes to provide needed assistance quickly, and without offsets if there is not time to find them. Over the past 15 years

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Congress has voted numerous times to pass emergency unemployment benefits and natural disaster assistance bills. According to the Congressional Research Service, only one unemployment bill in that time span passed with less than supermajority votes in both Houses. Similarly, we can only find two occasions on which disaster supplemental bills received less than supermajority votes. Some Senators respond that President Clinton's economic "stimulus" plan in 1993 received a great deal of opposition and was trimmed back; we make no apologies for that fact. That bill was loaded down with porkbarrel spending projects such as swimming pools and bicycle trails, all of which seemed to be located in districts that had key Democratic supporters of the President. We hope our colleagues are not really trying to pass the Durbin amendment in order to give constitutional protection to that type of wasteful, political spending.

The Balanced Budget Constitutional Amendment requires supermajority votes to deficit spend because Congress has proven unable to balance the budget when it has been allowed to deficit spend by majority votes. The Durbin amendment would gut this requirement by allowing any transient Congress to continue deficit spending by majority votes simply by claiming that doing so was economically necessary. If our colleagues favor putting a meaningless, unenforceable gimmick into the Constitution, then they will vote in favor of this amendment. We do not, and thus strongly support the motion to table.

Those opposing the motion to table contended:

More than 1,000 economists agree: when the country is in a recession or other form of serious economic emergency, the best way to remedy the situation is for the Federal Government to run large deficits in order to stimulate the economy. This Keynesian economic principle has been employed since World War II and as a result the United States has suffered less severe recessions than it suffered previously. This balanced budget amendment, though, will make it much more difficult to deficit spend during economic downturns. Super-majority votes in both Houses of Congress will be required before the Federal Government will be allowed to spend more money than it collects in taxes. It will be easier to cut spending than it will be to run deficits. As a result, there will be great pressure to cut spending at times when doing so will make bad economic conditions much worse. This constitutional amendment, as drafted, will exacerbate recessions. The Durbin amendment proposes a correction: super-majority votes would still be required to deficit spend during good times, but only a whole number of each House would be required to vote to unbalance the budget during recessions or other serious economic emergencies.

By the National Bureau of Economic Research's official determination, there have been 21 recessions this century, 11 of which happened after World War II. We have not escaped from economic downturns; business cycles are apparently a natural part of a free-market economy. However, when one looks at the severity of the recessions that have taken place between 1870 and 1990, one finds that those recessions that occurred before World War II were deeper and lasted longer than those downturns that occurred after counter-cyclical policies were adopted.

When an economy starts to shrink, people lose jobs. Those people who are out of work then are no longer spending money, the economy shrinks further, and more people lose jobs. The government's counter-cyclical spending stops this downward spiral. "Automatic stabilizers" such as unemployment assistance serve not only to help unemployed people through rough times but also to keep money in the economy and thus stem the further loss of jobs. Additional government spending on such items as job training and welfare also shorten recessions and lessen the human suffering they cause. If the government raises taxes for that spending, then it takes the same amount of money out of the economy as it puts in; similarly, if it cuts other spending to pay for the additional welfare and automatic stabilizer spending it does not add any additional funds. The only way for it to prime the economy is to borrow the extra money that it spends; in other words, it must have unbalanced budgets. Fifty years of experience proves that we should not balance the budget when the economy is in poor shape.

Some of us who support this amendment agree that 50 years of experience also proves that in years when the economy is in good shape, and when there is no excuse for not balancing the budget plus paying off the debt accumulated in recessionary years, Congress and the President have proven incapable of making the hard choices necessary to balance the budget. We therefore support constitutionally requiring a balanced budget when the country does not face economic difficulties. Others of us who support this amendment oppose writing fiscal policy into the Constitution. We think that all that is needed is the courage to raise taxes and cut spending, and we are willing to do our part. We agree, though, that it is irrational to balance the budget during recessions. Under this constitutional amendment, super-majority votes in both Houses of Congress will be necessary before Congress will be allowed to deficit spend during economic downturns. In other words, this amendment will write into the Constitution a requirement that super-majority votes will be required before Congress may act rationally. If this constitutional amendment passes without the Durbin amendment, we will live to regret it. We urge our colleagues not to support the motion to table.